

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHKU #0123/01 0420535  
ZNR UUUUU ZZH  
P 110535Z FEB 10  
FM AMEMBASSY KUWAIT  
TO RUEHC/SECSTATE WASHDC PRIORITY 4584  
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY  
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

UNCLAS KUWAIT 000123

SENSITIVE  
SIPDIS

STATE FOR NEA/ARP, EEB/ESC/IEC  
ENERGY FOR GINA ERICKSON

E.O. 12958: N/A  
TAGS: [EPET](#) [ENRG](#) [PGOV](#) [KU](#)  
SUBJECT: NEW SUPREME PETROLEUM COUNCIL MEETS -- ROOM FOR  
PROGRESS?

REF: 09 KUWAIT 338

11. (SBU) Summary: On February 8, one day after its appointment, Kuwait's Supreme Petroleum Council met and reportedly approved a technical services agreement with Shell. The decree appointed the 18 member (8 government, 10 private sector) oil policy making body, which had not met since December 2008, when four members resigned in protest over the cancellation of the K-Dow joint venture. The lack of an SPC had prevented the Kuwait Petroleum Corporation from moving forward with major projects, including the re-tendering of Kuwait's 4th oil refinery and major upgrades to the existing refineries. Despite some calls for the SPC to become a purely governmental body, the Amir appointed private sector representatives and reappointed five of the non-governmental members from the 2005-2008 SPC. End Summary

12. (SBU) On February 7, the Official Kuwait Gazette published Amiri Decree 51/2010 forming the Supreme Petroleum Council (SPC), effective on February 3. The SPC will have 18 members, eight from the government and 10 from the private sector. The Amiri decree came around three months after the formal completion of the SPC's term in October 2009. The decree also came over a year after the SPC last met in December 2008, when four members resigned in protest after the SPC cancelled the K-Dow joint venture. According to Kuwait Petroleum Corporation Deputy Managing Director and General Counsel Sheikh Nawaf Al-Sabah, he had told the four members that their resignations could not become effective until the Amir accepted them. Their response was "fine we won't come to meetings." Sheikh Nawaf noted that after the cancellation of the 4th refinery project and the K-Dow joint venture the SPC had been generally reluctant to meet in any case.

13. (SPC) The SPC is Kuwait's oil policy setting body and approves all major projects. Sheikh Nawaf noted that, although the 5-year KPC budget of around \$80 billion had been approved, absent SPC approval, none of the major projects in the budget could move forward. KPC board approvals of projects such as the retendering of the 4th refinery and the projects to upgrade Kuwait's existing refineries to produce cleaner fuels were "pending SPC approval." On February 9, ExxonMobil Kuwait President John Hoholick told Econcouns that the SPC had already met and that one of his SPC contacts had told him that it had approved a technical services agreement with Shell Oil Company to develop the Sabriyah Gas field. (Note: Chevron and BP have both pulled out of Kuwait because they could not make the TSA model work financially. For their part, ExxonMobil officials have told us that they also do not view TSAs as an attractive option, given competing calls on their resources. End note.)

14. (SBU) There had been parliamentary criticism of the SPC,

due to the potential conflicts of interest facing the private sector members of the SPC, who might have oil sector related companies competing for contracts. According to Sheikh Nawaf, there had been discussions and some calls to remove all private sector members and return the SPC to the status it enjoyed in the 1970s as a government policy body. Despite these concerns, the Amiri decree renamed the five private sector members who had not resigned in 2008.

#### 5 (U) Government Members of the SPC

--Prime Minister Sheikh Nasser Mohammed Al-Sabah, Chairman  
--Deputy Prime Minister/Foreign Minister Sheikh Dr. Mohammed Al-Sabah  
--Deputy PQQeC}kQ[>\_]z#Qe Affairs Sheikh Ahmad Al-Fahad Al-Sabah  
--Minister of Oil Sheikh Ahmed Al-Sabah  
--Minister of Commerce and Industry Ahmad Rashed Al-Haroun,  
--Minister of Finance Mustafa Al-Shamali  
--Minister of State for Cabinet Affairs Roudhan Al-Roudhan  
--Central Bank Governor Sheikh Salem Al-Sabah

#### 16. (SBU) Non-Government Members of the SPC

--(New Member) Sheikh Sabah Al-Khaled Al-Sabah: Former Minister of Information and Social Affairs and Labor. Currently an advisor in the Amiri Diwan. His cousin is the First Deputy Prime Minister and Minister of Defense

-- Sulaiman Nisf Al-Omani: Former Undersecretary of the Ministry of Oil from the late 1990s.

-- (New Member) Abdulmohsin Al-Hunaif: Chairman of the

Industrial Bank of Kuwait, a majority government owned bank that provides both conventional and Islamic financing for the establishment and modernization of Kuwait's industrial sector. He is also a former Under Secretary of the Ministry of Finance

-- Dr. Ali Mohammed Akber: Chairman of the Petroleum and Environmental Services Company, with a PHD in Petroleum Engineering from the University of Missouri (1973). He is an adjunct professor of the Petroleum Engineering Department at Kuwait University and a former Dean of the College of Engineering. He is a cousin of Kuwait Energy CEO Sara Akbar.

-- Dr. Emad Al-Ateeqi: Kuwait University Professor, former dean of Kuwait University's College of Engineering, and is the Chairman of the Private Universities Council

-- (New Member) Issa Al-Mazidi: Shi'a former Minister of Oil

-- Dr. Mohammed Al-Duwaiheis: former Minister of Planning

-- Hisham Al-Otaibi: Chairman and Managing Director of the Contracting and Marine Services Company, a former Minister of Commerce and Industry, and Director General of the Kuwait Stock Exchange. He holds a BS degree in engineering from Oklahoma University.

-- (New Member) Dr. Nayef Al-Hajraf: He is an Assistant Professor and the Assistant Vice President for Academic Services at the Gulf University for Science and Technology. He holds a BS degree in accounting from Kuwait University, an MS in accounting from the University of Illinois, and a PHD in accounting from the University of Hull.

-- (New Member) Mohammed Mahmoud Al-Hajri: The Chairman of the Kuwait Association for Accountants and Auditors and a former director of the Financial Department of Kuwait National Petroleum Company. He is the editor in chief of Accountants Magazine and has a bachelor's degree in accounting from Kuwait University.

17. (SBU) Comment: The long awaited appointment of the SPC and its quick action to approve a TSA for Shell are a guardedly welcome sign of progress in the oil sector.

Kuwait's ambitious plans to develop its oil production capacity to 4 million barrels per day by 2020 and to upgrade its refining capacities were largely stalled in the absence of the SPC. That said, GOK-parliamentary sniping contributed to the cancellation of both the K-Dow and 4th refinery deals, despite the existence (and initial support) of the SPC. In addition, constitutional prohibitions on foreign investment in Kuwait's upstream oil and gas sector and antiquated tendering regulations, combined with a parliamentary focus on how the oil sector spends the country's money, will continue to make it difficult to move major projects forward quickly. It remains an open question, therefore, as to how much progress the new SPC will indeed be able to make. End Comment.

\*\*\*\*\*  
For more reporting from Embassy Kuwait, visit:  
visit Kuwait's Classified Website at:

[http://www.intelink.sgov.gov/wiki/Portal:Kuwa it](http://www.intelink.sgov.gov/wiki/Portal:Kuwa%20it)  
\*\*\*\*\*  
JONES